

**THE COMMISSION ADOPTS DRA RECOMMENDATIONS**  
**REGARDING UTILITIES' DEMAND RESPONSE PROPOSALS**  
**(D.06-11- 049)**

The severe heat wave during summer 2006 prompted the Commission to look for cost-effective ways to reduce the peak demand on California's electric grid during hot summer days. The Commission recognized that expanding and augmenting existing Demand Response (DR) programs will be the most cost-effective method to meet a similar heat wave situation in summer 2007. During the last quarter of 2006 the Commission directed the three major Investor Owned Utilities (IOUs) to embark on expanding their DR programs. DRA was very diligent in reviewing and commenting on utilities' DR filings to ensure that the ratepayers will get the benefits expected from the programs at the lowest possible costs.

Some of DRA's notable achievements were:

- In an October 2006 Commission resolution the Commission reduced SCE's AC Cycling program request from \$37 million to \$18 million **based on DRA's protest and comments**. DRA urged the Commission to direct SCE to focus first on over 90,000 SCE customers who have Air Conditioning (AC) cycling devices installed already but are presently not activated, rather than spending on the more expensive alternative of recruiting new customers in the program. DRA was thus able to save almost \$19 million for ratepayers without jeopardizing the Commission's goal of achieving 600 MW of AC cycling in SCE's service area by summer 2007.
- On November 30, 2006, the Commission voted out Commissioner Chong's Final Decision on 2007 Utility DR Program changes. The final decision **adopted many of DRA's recommendations** included in DRA's opening and reply comments on Commission's initial Proposed Decision (PD).
  - The final Decision deleted the Discussion and Ordering Paragraphs requiring utilities to file advice letters for a water agency DR proposal incorporating Association of California Water Agencies' (ACWA) ideas. **DRA had pointed out** that keeping the original language (in Discussion and Ordering Paragraphs) in the PD would conflict with the utilities' joint water agency proposal and because both the utilities' and ACWA's ideas were not workable.

➤ The Final Decision directed, **as DRA had recommended**, PG&E and SCE to include a “day-of” option in their (Demand Bidding Programs (DBP) similar to the “day-of” option in SDG&E’s DBP program. DRA believed the “day of” option would be useful during CAISO’s emergency situations and could also increase DR amounts.

➤ The Final Decision rejects, **as DRA had recommended**, SCE’s request to increase its 2007 DBP incentives from \$0.50/kWh to \$0.75/kWh.

➤ The Final Decision directed, **as DRA had recommended**, PG&E to allow aggregators to participate in its Option A of the Base Interruptible Program (BIP).

➤ The Final Decision denies, **as DRA had recommended**, SDG&E’s request to close its BIP program and transfer customers to Capacity Bidding Program (CBP). DRA argued that the two programs were not comparable and served different customers.

➤ The Final Decision rejects, **as DRA had recommended**, PG&E’s request to file an application in 2008 for budget increase if PG&E spends more than its authorized budget. DRA had argued that this will be retroactive ratemaking and violate one-way balancing account treatment prescribed to DR programs.

➤ The Final Decision rejects, **as DRA had recommended**, PG&E’s request to allow it to file an Advice Letter rather than an Application for DR Request for Proposals (RFPs) because of time constraints. DRA argued that there was sufficient time available to do an application-level scrutiny.

➤ The Final Decision rejects, **as DRA had recommended**, EnerNoc’s request to approve PG&E’s proposed program to retrofit Back-Up Generators (BUGs) using DR funds. DRA did not think BUGs are DRs and should not use DR funds.

➤ The Final Decision **agreed with DRA** about the urgent need to address the issues of cost-effectiveness and measurement of DR program impacts. Accordingly, the Final Decision directed the Commission staff to open a new rulemaking for that purpose.

➤ The Final Decision rejects, **as DRA had recommended**, utility proposals to count reliability-type program MW savings towards Commission’s “price-responsive” program goals. The Final Decision states that this issue should be addressed in the upcoming new rulemaking.